

**FINANCIAL REPORTING
FORMS AND PROCEDURES
FOR LOCAL GOVERNMENT
DISBURSEMENTS**

**MUNICIPALITY OF
VIDIN, BULGARIA**

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TABLE OF CONTENTS

| | |
|---|---|
| BACKGROUND | 1 |
| RECOMMENDATIONS | 1 |
| Change of Accounting Operations | 1 |
| Introduction of Evaluation Criteria | 2 |
| Changes in the Organization and Management | 2 |
| Model Scheme for Expenditure Allocation at the Hospital | 3 |
| APPENDIX A: EDUCATION COST CENTERS | |
| Monthly Expenditure Statement | |
| Trial Balance (January 1 - February 28, 1997) | |
| Expense Receipt from Petty Cash | |
| Transaction Note + Expense Receipt from Petty Cash - <i>Advance for Petrol</i> | |
| Transaction Note + Requests for Petrol from 8 Schools | |
| Transaction Note + Vender's Invoices + Internal Purchase Receipt - <i>Petrol Purchase</i> | |
| Payroll Summary + Social Benefits | |
| APPENDIX B: HEALTH CARE - COUNTY HOSPITAL | |
| Monthly Expenditure Statements | |
| Salary Receipts | |
| Payroll Summary + Social Benefits | |
| Transaction Note - Expenses for Food + Supporting Documents - Vendor's Invoices, | |
| Bank Transfer Statement, Internal Purchase Receipt | |
| Electricity Payment Receipt + Invoice | |
| Phone Bills + Bank Transfer Statement + Invoice | |
| Bank Transfer Statement + Invoice - <i>Petrol</i> | |
| Bank Transfer Statement + Invoice - <i>Water</i> | |
| Transaction Note - Payroll - Fringes, Income Tax | |
| Bank Transfer Statement + Invoice - <i>Medicine Purchases</i> | |
| Reference - <i>Medicines Purchase for Hospital Wards</i> | |
| Medicines Purchase List | |
| Reporting Forms for Petrol Purchase - <i>Cars</i> | |
| Transaction Note + Fuel Purchase - <i>Heating</i> | |
| Expense Receipt from Petty Cash - <i>Petrol (Cars)</i> | |
| APPENDIX C: PROPOSED REPORTING FORMS FOR FINANCIAL INFORMATION | |
| Estimated Cash Receipts | |
| Estimated Cash Expenditures | |
| Estimated Cash Flow | |
| Education Cost Centers Expenditure Statement | |

Healthcare Cost Centers Expenditure Statement

FINANCIAL REPORTING FORMS AND PROCEDURES FOR LOCAL GOVERNMENT DISBURSEMENTS

MUNICIPALITY OF VIDIN, BULGARIA

BACKGROUND

The International City Management Association and MTK Konsult have been working with the Municipality of Vidin in an effort to improve their overall financial management practices and, in particular, their disbursement and expenditure procedures. These efforts will be further institutionalized with the automation of the financial reporting process within the Municipality's finance department.

Based on this effort, the Local Government Initiative consulting team has developed recommendations for improving the overall accounting system in terms of organization and management, which will serve as the foundation for the financial management design and implementation. The following report illustrates these procedural recommendations, the traditional financial reporting forms of the municipality's cost centers (for education, please see Appendix A; for health care, please see Appendix B), as well as improved tracking and reporting forms (please see Appendix C), which will facilitate the flow of expenditure information up from accounting through the local policy makers.

RECOMMENDATIONS

Change of Accounting Operations

The need to change the existing expenditure accounting systems and the format of the traditional financial reports arises from the desire of the municipal management to stay informed about the value of municipal services at all times, by units of expenditure. The lack of such information, or its receipt after the close of the respective accounting period (usually a trimester), precludes the making of management decisions aimed at regulating the behavior of operations.

Currently, the accounting system does not make an adequate use of the existing codes for the hospital wards. Its reform should therefore strive to establish the use of these codes for each economic operation. Additionally, the hospital managers should modify their approach toward funds management. There is a need for a clear delineation of unit and ward management procedures for the filling out of all the requisite invoices and receipts. Written procedures should be drafted accordingly, and

would come into effect through an enactment of the mayor of the municipality. Also, more extensive and ultimate control over the disbursement of the expenditures should be exercised by the Deputy Director for Economic Affairs.

The improved organization of the financial accounting activities should be duly reflected in the software applications.

Introduction of Evaluation Criteria

The methods for calculating the value of different service units (i.e., patient and/or ward), provide the basis for devising evaluation criteria, illustrative of the extent and quality of municipal services. An example of this is the daily cost of a patient with a given disease under treatment at a particular health establishment. The evaluation criteria of this unit should:

- Provide the possibility for daily measurements to be made;
- Be comparable to similar criteria applied in the hospital and/or in kind health establishments located in other municipalities;
- Set a bottom margin below which the necessary quality of the service may not be provided;
- Set a limit loss, exceed which renders the service unjustifiably expensive and irrational; and
- Become a primary tool for evaluating the results of the respective activity within the overall budget process.

Changes in the Organization and Management

The creation of a unit of 2-3 analysts who would report directly to the Mayor or Deputy-Mayor in charge of “Economic Development and Agriculture”.

The unit should have a relative independence within the structure of the municipal administration and should not be required to report to the directorates and the department of which the Deputy-Mayor is in charge. It should serve as a factor, reconciling the actions of the primary and secondary disbursers of budget funds, which are sometimes contradictory. Moreover, this unit should establish a close cooperation with the administrator of the automated management system and the manager of the financial accounting department, with a view to implementing the specific applications of the project.



The unit should recruit experts possessing a higher economic degree; past work experience in the budget sector would be desirable.

Tasks of the unit:

- ! To work on the execution of the Improvement of Municipal Expenditure Administration Project and to apply the devised approaches and procedures on evaluating municipal services to the areas of education and health.
- ! To gauge the reflection of the various management decisions and programs in the two areas and to evaluate their impact on the municipal budget.
- ! To make a phased readjustment of the accounting system to ensure the timely arrival of analytical primary information.
- ! To develop EDP systems for the financial accounting data, based on the automated system devices.
- ! To act as administrator of the cash flow.
- ! To generate periodic analyses and forecasts on the financial status for the needs of the municipal administration and the municipal council.

The municipality must adopt mandatory procedures to integrate the unit in the drafting of the budget, especially at the phases of project development and monitoring and measurement of results. The above tasks should be interpreted as temporary assignments, and as such, they will remain effective until the process of asserting the new methodology, as an inseparable part of the financial accounting system is brought to completion. Subsequently the unit may perform other functions, delegated to it by the municipal management, such as internal control and audit.

In its daily work the unit will be assisted by the Local Government Initiative consultants.

Model Scheme for Expenditure Allocation at the Hospital

Staff

- ! Higher medical staff

- Drawing up a work schedule by wards and hours
- Calculating the hourly rate for each staff member
- Preparing a system for accounting the labor expenses by types of services - out patient, hospital, primary activities

! Average medical staff - as in the above

! Other staff - as in the above

Social security installments - as in the above

Food - by wards/portions/patients

Medication - by wards/patients - a need for an objective system for procurement and control

Business trips - depends on their objective and on the benefit they would bring to a particular ward or to the hospital as a whole

Office and economic expenses

! Office expenses

- By wards
- For the hospital as a whole - TBD

! Heating - calculation of the cubic area by

- Wards - the amount of heat is distributed based on the number of serviced patients and the amount of time this requires (hours of stay)
- Laboratories - by the number of researches - the researches that have been ordered by a given ward are allocated to it

! Lighting - electrical power - based on the voltage consumed and the number of patients serviced by hours

! Water - based on the number of patients serviced at the wards by hours

! GSM - about the car park - creating a system for requests and control, and allocating them among the wards based on the number of serviced patients



— For general hospital needs - TBD

! Postal and telephone expenses - TBD

! Maintenance and repairs - according to their type

— By wards - based on hours and patients

— For the hospital - TBD

Other expenditure - depending on the type

Linen stock - by wards

Repairs - overall

APPENDIX A
EDUCATION COST CENTERS

Monthly Expenditure Statement

Trial Balance (January 1 - February 28, 1997)

Expense Receipt from Petty Cash

Transaction Note + Expense Receipt from Petty Cash - *Advance for Petrol*

Transaction Note + Requests for Petrol from 8 Schools

Transaction Note + Vender's Invoices + Internal Purchase Receipt -
Petrol Purchase

Payroll Summary + Social Benefits

APPENDIX B

HEALTH CARE - COUNTY HOSPITAL

Monthly Expenditure Statements

Salary Receipts

Payroll Summary + Social Benefits

Transaction Note - Expenses for Food + Supporting Documents -
Vendor's Invoices, Bank Transfer Statement, Internal Purchase Receipt

Electricity Payment Receipt + Invoice

Phone Bills + Bank Transfer Statement + Invoice

Bank Transfer Statement + Invoice - *Petrol*

Bank Transfer Statement + Invoice - *Water*

Transaction Note - Payroll - Fringes, Income Tax

Bank Transfer Statement + Invoice - *Medicine Purchases*

Reference - *Medicines Purchase for Hospital Wards*

Medicines Purchase List

Reporting Forms for Petrol Purchase - *Cars*

Transaction Note + Fuel Purchase - *Heating*

Expense Receipt from Petty Cash - *Petrol (Cars)*

APPENDIX C

PROPOSED REPORTING FORMS FOR FINANCIAL INFORMATION

Estimated Cash Receipts

REFERENCE F-1
ESTIMATED CASH RECEIPTS
FISCAL YEAR ENDING DECEMBER 31, 19__

| Period Ended | Total Cash Receipts | | Local Taxes | | Other Local Receipts | | Receipts from State Government | |
|-----------------|---------------------|--------|-------------|--------|----------------------|--------|--------------------------------|--------|
| | Estimate | Actual | Estimate | Actual | Estimate | Actual | Estimate | Actual |
| Column Ref. | (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) |
| Period 1 | | | | | | | | |
| Period 2 | | | | | | | | |
| Period 3 | | | | | | | | |
| | | | | | | | | |
| Period X | | | | | | | | |
| Total for Year | | | | | | | | |

Instructions for using this worksheet

1. Each major source of cash receipts for the municipality should be identified and established as a column heading. It is suggested that in setting up the worksheet, provision be made to record actual cash receipts for each period next to the cash receipts which were estimated so that the cash manager can readily identify those areas where future cash receipts estimates can be improved, either by period or in total.
2. The "period ended" date in the cash receipts estimate will normally be the date that payroll checks are issued to municipal employees during the year.
3. The amount of cash to be received from each source of cash established on the worksheet should be estimated for each period established.
4. When cash receipts from each source of cash have been estimated for each time period the columns should be added across to develop a total cash receipt for each time period.

Estimated Cash Expenditures

REFERENCE F-2
ESTIMATED CASH EXPENDITURES
FISCAL YEAR ENDING DECEMBER 31, 19__

| Period Ended | Total Cash Expenditures | | Net Salaries/ Wages | | Payroll Taxes | | Debt Service | | Capital Expenditure | | Materials/ Supplies | | Utilities | |
|-----------------|----------------------------|--------|------------------------|--------|------------------|--------|-----------------|--------|------------------------|--------|------------------------|--------|-----------|--------|
| | Estimate | Actual | Estimate | Actual | Estimate | Actual | Estimate | Actual | Estimate | Actual | Estimate | Actual | Estimate | Actual |
| Column Ref. | (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) | (I) | (J) | (K) | (L) | (M) | (N) |
| Period 1 | | | | | | | | | | | | | | |
| Period 2 | | | | | | | | | | | | | | |
| Period 3 | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| Period X | | | | | | | | | | | | | | |
| Total for Year | | | | | | | | | | | | | | |

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4. When cash receipts from each source of cash have been estimated for each time period the columns should be added across to develop a total cash receipt for each time period.

Estimated Cash Flow

REFERENCE F-3
ESTIMATED CASH FLOW
FISCAL YEAR ENDING DECEMBER 31, 19__

[illegible]

Education Cost Centers Expenditure Statement

REFERENCE F-4
EDUCATION COST CENTERS
EXPENSES AND ENROLLMENT

| | Salaries | Social Security | Office and Supporting Costs (OSC) | | | | | | | Other | Expenses | | Enrollment | |
|-----------------------------------|----------|-----------------|-----------------------------------|-----------|---------|-----------|-------------|-------|-------|-------|----------|---------|------------|---------|
| | | | Water | Telephone | Heating | Transport | Electricity | Other | Total | | Total | Percent | Total | Percent |
| City Schools <i>Percent</i> | | | | | | | | | | | | | | |
| Village Schools <i>Percent</i> | | | | | | | | | | | | | | |
| Subtotal <i>Percent</i> | | | | | | | | | | | | | | |
| Kindergartens <i>Percent</i> | | | | | | | | | | | | | | |
| TOTAL : <i>Percent</i> | | | | | | | | | | | | | | |

Healthcare Cost Centers Expenditure Statement

REFERENCE F-5
HEALTHCARE COST CENTERS
STAFF/EXPENSE RATIOS

[illegible]